

2011-104 AUDIT SCOPE AND OBJECTIVES—Department of Health Care Services’ Local Medi-Cal Services

The audit by the State Auditor’s Office will provide independently developed and verified information related to fiscal processes and mechanisms used by Kern’s local initiative and a sample of other local initiatives to administer Medi-Cal funds, and would include, but not be limited to, the following:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
2. Identify and assess the roles and responsibilities of the various departments and agencies involved with the Two-Plan Model and the local initiatives. Determine which agency is authorized to oversee and monitor the composition of tangible net equity (TNE) balances.
3. Examine the controls in place at the oversight entities and determine whether such controls are appropriate and sufficient to ensure that taxpayer funds are properly used.
4. Identify what mechanisms are in place at the oversight entities to ensure corrective action is taken by local initiatives on any improper fiscal processes that may be noted during the oversight and monitoring activities.
5. Select and review a sample of local initiatives—including Kern Family Health Care—and perform the following analysis over the past five years:
 - a. Identify the revenues and expenditures at each of the local initiatives and determine whether funds were used appropriately.
 - b. Review how salaries for top management at each local initiative are set and identify the current salaries and wages for top managers. Determine whether the salaries were properly approved and are comparable with industry standards.
 - c. Review the financial statements and identify the TNE levels and compare them to the amounts required to determine instances of excess TNE amongst the local initiatives.
 - d. Determine the reasons for the excess levels of TNE at each of the local initiatives and the impact, if any, on services to beneficiaries.
 - e. Identify each local initiative’s fiscal processes and determine if management controls exist and are effective to ensure funds are properly received and used and whether there are mechanisms to ensure corrective action is taken for any deficiencies identified through internal or external reviews.
6. Review and assess any other significant issues relevant to the processes used by local initiatives.